

**REGULAR STATE CREDIT UNION BOARD MEETING
HELD BY CONFERENCE CALL
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

June 14, 2013

The regular meeting of the State Credit Union Board was called to order by Chairman Entringer in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 9:30 a.m., Friday, June 14, 2013, by conference call.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Office*)
Paul Brucker, Member (*Office*)
Don Clark, Member (*Fargo*)
Melanie Stillwell, Member (*Williston*)
Steve Tonneson, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Suzette Richardson, Administrative Staff Officer (*Office*)
Corey Krebs, Chief Examiner – Credit Unions (*Office*)
Taylor Lee, Financial Institutions Examiner (*Office*)
Sara Sauter, Financial Institutions Examiner (*Office*)
Jeff Olson, Bismarck (*Office*)
Jay Landsiedel, Town and Country CU, Minot (*Minot*)

ACTING SECRETARY

It was moved by Member Clark, seconded by Member Stillwell, and unanimously carried that Suzette Richardson be approved as Acting Secretary.

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on March 22, 2013, and the special meetings held on April 5, 2013, and May 3, 2013.

It was moved by Member Brucker, seconded by Member Clark, and unanimously carried to approve the minutes of March 22, 2013; April 5, 2013; and May 3, 2013, as presented.

APPLICATION TO ESTABLISH A BRANCH – TOWN AND COUNTRY CREDIT UNION, MINOT

Chairman Entringer reviewed Assistant Commissioner Webb's Memorandum dated April 8, 2013, which indicates the Department received an application from Town and Country Credit Union ("TCCU"), Minot, on March 20, 2013, to establish a branch at the NW Corner of 52nd Ave & 38th St, Fargo.

Chairman Entringer indicated the City of Fargo has not yet assigned a street address for this location, and Mr. Landsiedel agreed that is correct.

Chairman Entringer indicated as of the date of Assistant Commissioner Webb's Memorandum no comments were received concerning the application.

Chairman Entringer noted the current field of membership for Town and Country Credit Union is a 75 mile radius of Minot, a 50 mile radius of Kenmare, and a 50 mile radius of Fargo. Chairman Entringer noted the proposed office location in Fargo is within the current field of membership of TCCU; therefore, the credit union has not submitted an application to expand its field of membership.

Chairman Entringer indicated North Dakota Administrative Code Chapter 13-03-15-04 sets forth the criteria a credit union must follow when establishing a branch.

Chairman Entringer explained the Department requested a formal approval date from the Board of Directors of TCCU, which resulted in the discrepancy between the date the Department received the application and the approval date by TCCU's Board of Directors at its meeting on May 20, 2013.

Chairman Entringer indicated the Department published notice of the application on April 22, 2013, in the *Valley City Times-Record* (Barnes County), *The Daily News* (Richland County), *Sargent County Teller* (Sargent County), *Steele County Press* (Steele County), *Traill County Tribune* (Traill County), and on April 29, 2013, in the *Fargo Forum* (Cass County) and *Ransom County Gazette* (Ransom County).

Chairman Entringer referred to a letter received from Darrell Olson, CEO/President of TCCU, in which he states that the credit union does not believe serious injury will result to any federal or state chartered credit union as a result of opening an additional branch office in Fargo, adding that a reason for the new branch is the need for additional office space, and that there is "...plenty of business in the Fargo area for everyone to be successful".

Chairman Entringer indicated although TCCU is projecting operating losses for the branch in the foreseeable future, this should have a minimal impact on profitability overall; therefore, applying the year one projected loss to historical income levels still results in a return of average assets ratio of 1.3%.

Chairman Entringer noted TCCU is estimating that building costs of \$5 million, excluding the cost of the lot which is already owned, as well as projecting \$500,000 in furniture, fixtures, and equipment related to this project. Chairman Entringer indicated this will result in TCCU's fixed asset ratio increasing from 2.37% to approximately 4%; however, fixed assets should remain within the regulatory limit.

Mr. Landsiedel indicated TCCU wanted to utilize all existing space in Fargo before proposing a new branch; however, with continued growth the need for more space became more necessary.

Mr. Landsiedel indicated the Fargo area comprises approximately 45% of TCCU's loan portfolio, adding the establishment of this branch will not affect the overall financial stability of TCCU.

Member Brucker asked where in the vicinity of Fargo the branch will be located, and Mr. Landsiedel explained the building is between the Microsoft Campus and Wal-Mart in South Fargo.

Chairman Entringer asked what the square footage of the building will be and if the credit union will occupy the entire space. Mr. Landsiedel indicated there will

be approximately 11,000 feet on the main floor and 12,000 feet on the second level; adding that even with the credit union's IT department relocating from Minot, there will be space available to lease.

Chairman Entringer explained the proposed Order indicates the branch must be operational within one year and when questioned if that would be a sufficient amount of time, Mr. Landsiedel indicated it should be sufficient, adding it is dependent on the construction season. Mr. Landsiedel indicated a general contractor has been hired so construction can begin if this application is approved.

Member Tonneson asked for clarification on existing branches TCCU has in the Fargo area, and Mr. Landsiedel explained the locations of three branches in Fargo and one branch in West Fargo.

Chairman Entringer asked if TCCU anticipates closing any of the existing Fargo area branches if this proposed branch is established, and Mr. Landsiedel indicated not at this time.

Chairman Entringer indicated the Department recommends approval of the application by TCCU to establish a branch on the NW Corner of 52nd Ave and 38th St, Fargo, and that the Board authorize the Commissioner to sign the proposed Order on behalf of the Board.

Chairman Entringer reviewed the conditions outlined in the proposed Order for Mr. Landsiedel. Chairman Entringer suggested extending the required operational date of the branch to September 30, 2014.

It was moved by Member Tonneson, seconded by Member Clark, and unanimously carried to approve the application by Town and Country Credit Union, Minot, to establish a branch on the NW Corner of 52nd Ave and 38th St, Fargo; that the operational date in the proposed Order be amended to September 30, 2014; and that the Board authorize Chairman Entringer to sign the proposed amended Order on behalf of the Board.

Mr. Landsiedel left the conference call at 9:49 a.m.

ARTICLES OF AMENDMENT – CERTIFICATE OF ORGANIZATION

Chairman Entringer indicated New Salem Credit Union, New Salem, has submitted Articles of Amendment – Certificate of Organization: “The name of this credit union shall be Capital Credit Union and location and place of business shall be Bismarck, North Dakota”.

It was moved by Member Clark, seconded by Member Brucker, and unanimously carried to approve the Articles of Amendment – Certificate of Organization – Credit Unions submitted by New Salem Credit Union, New Salem.

ARTICLES OF MENDMENT TO THE BYLAWS – FIRST COMMUNITY CREDIT UNION, JAMESTOWN

Chairman Entringer indicated First Community Credit Union, Jamestown, has submitted Articles of Amendment to the Bylaws to amend Article VII, Elections; Article VIII, Board of Directors; and Article XII, Loans to Members.

Chief Examiner Krebs stated he reviewed the proposed amendments and recommends approval of the proposed amendments.

It was moved by Member Brucker, seconded by Member Stillwell, and unanimously carried to approve the Articles of Amendment to the Bylaws submitted by First Community Credit Union, Jamestown, to amend Article VII, Elections; Article VIII, Board of Directors; and Article XII, Loans to Members.

ARTICLES OF MENDMENT TO THE BYLAWS – DAKOTA PLAINS CREDIT UNION, EDGELEY

Chairman Entringer indicated Dakota Plains Credit Union, Edgeley, has submitted Articles of Amendment to the Bylaws to amend Article VI, Meeting of Members; Article VII, Elections; Article VIII, Board of Directors; Article X, Credit Committee; Article XIV, Loans to Members; Article XIX, General; and Article XXI, Operations Following a National Emergency or Disaster.

Chief Examiner Krebs stated he reviewed the proposed amendments and indicated the credit union is replacing the Credit Committee with a Credit Manager. Chief Examiner Krebs indicated he recommends approval of the proposed amendments.

It was moved by Member Stillwell, seconded by Member Clark, and unanimously carried to approve the Articles of Amendment to the Bylaws submitted by Dakota Plains Credit Union, Edgeley, to amend Article VI, Meeting of Members; Article VII, Elections; Article VIII, Board of Directors; Article X, Credit Committee; Article XIV, Loans to Members; Article XIX, General; and Article XXI, Operations Following a National Emergency or Disaster.

FREEDOM COMMUNITY CREDIT UNION, FARGO

Chairman Entringer indicated the Board previously granted approval to Freedom Community Credit Union, Fargo, to establish a branch at 4707 45th St S, Fargo, to be operational by September 7, 2013; however, the Department received a letter from CEO Hagen requesting a six-month extension because of construction delays due to rainfall in the area.

Chairman Entringer suggested the Board grant an extension to March 7, 2014; if so approved, the Department would send an Amended Order to the credit union, to be signed by himself on behalf of the Board.

It was moved by Member Tonneson, seconded by Member Brucker, and unanimously carried that Freedom Community Credit Union, Fargo, be granted an extension until March 7, 2014, to begin operation of its branch at 4707 45th St S, Fargo, and that Chairman Entringer be authorized to sign the Amended Order on behalf of the Board.

APPROVAL OF 2013 ANNUAL ASSESSMENT POLICY FOR STATE-CHARTERED CREDIT UNIONS

Chairman Entringer reviewed his Memorandum dated June 7, 2013, with the Board.

Chairman Entringer referred to the expense descriptions for the Budget Allocation Cost Center 2100, and indicated the Department is proposing the Commissioner's salary and benefits be increased from 10% to 30%.

Chairman Entringer reviewed three proposed projections prepared by Joan Becker, Director of Administration, for the Board's consideration: no discount; 20% discount, or 25% discount.

Chairman Entringer indicated there are no suggested changes to the Assessment Policy; however, suggests a 50% carryover in the credit union division budget, which would allow granting a 25% assessment discount to all state-chartered credit unions.

Chief Examiner Krebs explained he and Financial Institutions Examiner Lee considered revising the assessment formula for state-chartered credit unions to a single flat rate which is comparable to what NCUA uses; however, determined it would not be much different than the current assessment formula.

Member Brucker questioned if it would be more appropriate to migrate the increase in the Commissioner's salary and benefits instead of increasing it from 10% to 30%, in order to make sure 30% is spent on credit unions. Chairman Entringer indicated he would be fine with that.

After further discussion, it was moved by Member Brucker, seconded by Member Clark, and unanimously carried to approve the 2013 Annual Assessment Policy for State-Chartered Credit Unions; the Commissioner's salary and benefits be changed to 20%; and offer a 25% assessment discount.

CREDIT UNION BUDGET UPDATE

Chairman Entringer reviewed the Organizational Status by Summary Account and Source for credit unions for the month ending April 30, 2013, as presented.

DEPARTMENT OF FINANCIAL INSTITUTIONS STRATEGIC PLAN

Chairman Entringer explained developing the Strategic Plan is part of the accreditation process for both the bank and credit union divisions.

Chairman Entringer indicated the Strategic Plan was presented and accepted by the State Banking Board at its May 30, 2013, regular meeting, and is now presenting it to the State Credit Union Board for acceptance also.

Chairman Entringer explained the Strategic Plan will be reviewed quarterly and evaluated annually.

It was moved by Member Clark, seconded by Member Stillwell, and unanimously carried to accept the Department of Financial Institutions Strategic Plan as presented.

The Board went into closed session at 10:10 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1.

Robert J. Entringer, Chairman

Suzette Richardson, Acting Secretary